

Credit Where It's Due: Ensuring Migration Pathways for Refugees Are Financially Accessible

Introduction

Complementary Pathways

The need to solve refugee crises is obvious, both at a geo-political level and in terms of allowing individual lives to flourish. Yet in many cases, the three traditional “durable solutions” – repatriation to a country of origin, local integration in a country of asylum, or resettlement to a third country – are unlikely to offer a comprehensive or swift resolution to exile for many refugees.¹ As a result, the international community has increasingly recognized the need to explore the ways in which non-humanitarian migration routes – for work, study, or to reunite with family – could help to ameliorate long-running refugee and forced migration crises.²

In the wake of the Syrian and Mediterranean refugee and migration crises³, the international community has explicitly committed to opening up more “complementary pathways” for refugees. The New York Declaration for Refugees and Migrants states that signatories ‘intend to expand the number and range of legal pathways available for refugees to be admitted to or resettled in third countries’ and will consider the expansion of ‘opportunities for labor mobility for refugees, including through private sector partnerships, and for education, such as scholarships.’⁴

Helping eligible refugees to move to places where there is both more safety and more long-term economic opportunity through existing labor or study migration routes could help to reduce the pressure on over-subscribed resettlement channels. It could also assist more economically-able refugees, who are often not prioritized for resettlement on humanitarian

¹ Long, K., *Home alone?: A review of the relationship between repatriation, mobility and durable solutions for refugees*. United Nations High Commissioner for Refugees, 2010; Zetter, R., and Long, K., “Unlocking protracted displacement.” *Forced Migration Review* 40 (2012): 34.

² For example see Long, K. and Rosengertner, S., “Protection through Mobility: Opening Labor and Study Migration Channels to Refugees”, *Migration Policy Institute*, (2016), <http://www.migrationpolicy.org/research/protection-through-mobility-opening-labor-and-study-migration-channels-refugees> (accessed 10 April 2017).

³ For the purposes of this paper, the term “refugee” is used to denote an individual who has been recognized as such by UNHCR, either under the terms set out in the 1951 *Convention on the Status of Refugees* (owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country) or on a *prima facie* basis due to ongoing conflict or crisis in their country of origin. While the paper primarily makes reference to refugees rather than other categories of forced migrant, it is clear that financial access to legal migration pathways may also be relevant to other groups of migrants, including those affected by natural disaster or environmental change.

⁴ UN General Assembly, *New York Declaration for Refugees and Migrants: resolution / adopted by the General Assembly*, 3 October 2016, A/RES/71/1, available at: <http://www.refworld.org/docid/57ceb74a4.html> [accessed 11 April 2017]

grounds. Focusing on already-existing migration programs also eliminates the need for destination countries to commit to admitting *more* migrants or creating new programs for entry, which is particularly important given the current political climate in many resettlement states makes further expansion of resettlement opportunities unlikely.⁵

However, if labor and study migration channels are going to be used successfully as complementary solutions for refugees, these routes must be not just available but *accessible*. In the past ten years, a number of research papers have set out not just the potential opportunities increasing access to complementary pathways could offer refugees, as well as the potential obstacles that will need to be negotiated.⁶ These include:

- **Legal barriers:** refugee status offers a number of protections, including prohibition of *refoulement*⁷. In contrast, labor and study visas are usually conditional and often time-limited. If refugees are admitted to a state as a migrant, there may be a risk that important protections are lost. Researchers have suggested that this concern can be mitigated by focusing on routes that offer a pathway to permanent residency and citizenship, although it should be noted that many of the states with the greatest demand for migrant labor (particularly the Gulf states) have poor records when it comes to workers' rights and tie visas to employment. This may limit the global scalability of labor migration as an complementary solution for refugees.
- **Skills barriers:** most interest from states and employers has focused upon high-skilled and mid-skilled refugees who can fill specific skills gaps in industrialized labor markets. While the Syrian and Iraqi refugee crises have seen a large number of highly educated refugees seeking work, a longer view of mass refugee crises would suggest that these crises are relatively unusual, and that the majority of refugees would only be eligible to seek low-skill, low-wage work, which rarely offers a route to permanent residency. For complementary labor pathways to be relevant to more refugees, programs should also consider how to use skills-training, apprenticeships and study routes, building on the

⁵ In March 2017, a year after a major drive for additional resettlement places was launched by UNHCR, only 250,000 of the half-million target places for Syrians have been pledged by resettlement states (<http://webcache.googleusercontent.com/search?q=cache:pthLi4ax1SgJ:www.unhcr.org/573dc82d4.pdf+&cd=1&hl=en&ct=clnk&gl=us&client=safari>). In addition, the new US administration – the leading resettlement state – halved the US resettlement quota for FY2017 to 50,000 places from 100,000, and is unlikely to reverse this decision going forward (see e.g. <https://www.irinnews.org/analysis/2017/01/30/updated-trump-action-derails-global-refugee-resettlement-efforts>).

⁶ In addition to those papers cited above, please see Long, K., "Extending Protection? Labor Mobility's Protection Potential", *Migration Policy Institute*, May 2015, <http://www.migrationpolicy.org/research/refugee-migrant-labor-mobilitys-protection-potential> (accessed 19 May 2017). This section draws particularly on this paper and Long and Rosengartner, "Protection Through Mobility", 2016.

⁷ *Non-refoulement* is the cornerstone of refugee protection. The principle of "*non-refoulement*" was officially enshrined in Article 33 of the 1951 Convention Relating to the Status of Refugees. Article 33 contains the following two paragraphs that define the prohibition of the expulsion or return of a refugee: "No Contracting State shall expel or return ('refouler') a refugee in any manner whatsoever to the frontiers of territories where his life or freedom would be threatened on account of his race, religion, nationality, membership of a particular social group or political opinion."

wider migration and development agenda as set out in the Sustainable Development Goals.⁸

- **Political constraints:** many states – even those with recognized labor market needs – are seeking to further constrain immigration, particularly permanent immigration. In March 2017, for instance, Australia announced that it would be abolishing the subclass-457 visas that were used by many skilled overseas workers, while the UK has also move to restrict permanent non-EU migration.⁹ This means that the appetite for expanding complementary pathways may be limited. Instead, advocates have argued that work should focus on *inclusion* of refugees, by ensuring their equal access to labor migration alongside other eligible migrants. This emphasis on accessibility is less political contentious than advocacy for expansion.

Financial Barriers

Ensuring refugees' access to existing complementary pathways requires a number of practical steps. In addition to the challenges set out above, research suggests that key barriers currently impeding access also include a lack of sufficient information to successfully identify a destination country and complete the bureaucratic and administrative process of migrating there legally. This can be a complex undertaking, requiring verification of educational and professional credentials, proof of language ability and the securing of valid travel documents. And additional impediment is the lack of financial capacity to pay for either these services or the journey itself.

In 2015, *Talent Beyond Boundaries* (TBB) was formed, a non-profit working to connect skilled refugees with employment opportunities in third countries.¹⁰ This organization has worked in Jordan and Lebanon to identify and resolve some of these “information and documentation” challenges” that prevent refugees from accessing global employment opportunities. To date, TBB has surveyed over 8000 refugees building up an understanding of the skills profiles of refugees and how these match prospective employers' needs. A two-year pilot program (to be completed in 2018) should place a number of refugees in employment in third countries and help establish a framework through which refugees can be connected to potential labor migration opportunities, and test the scalability of this information and placement model.

This paper is therefore concerned with the second, to-date unexplored constraint: finance. How can the international community help ensure that migration pathways for refugees are not only available, but financially accessible?

⁸ UN, *Transforming Our World: the 2030 Agenda for Sustainable Development*, 2015, <https://sustainabledevelopment.un.org/post2015/transformingourworld/publication> - see especially 10.7

⁹ Australian Government, Department of Immigration and Border Protection, 'Abolition and replacement of the 457 visa', 18 April 2017, <https://www.border.gov.au/Trav/Work/457-abolition-replacement>; Hill Dickinson LLP, UK Tier 2 visa immigrants must earn £35,000 to settle from April 2016, 22 July 2015, <http://www.lexology.com/library/detail.aspx?g=34f91027-22f6-4683-a84e-07e8ec13db2d>

¹⁰ See <https://www.talentbeyondboundaries.org> for further information

There is evidence that finance is a barrier for many refugees seeking to travel to a third country. For instance, in 2015 Brazil announced it would issue Syrians with humanitarian visas for a minimal fee, allowing them to travel to Brazil (and once there to apply for asylum). Over 8000 visas were issued, but less than a quarter of visa-holders made the journey. While these numbers were likely affected by a number of factors (refugees holding the visa as a back-up plan; the subsequent economic downturn in Brazil) one was undoubtedly (a lack of) finance. Visa-holders were required to pay their own passage. It should be noted that some commentators have argued that at some level this type of financing gap allows states to offer superficially generous visa opportunities without this translating to high numbers of arrivals (and the integration challenges that can accompany such flows).¹¹

Of course, many refugees already pay extremely high fees to smugglers to travel irregularly. However, they often take out high-interest loans to do so, sometimes from exploitative lenders, or exhaust family savings. Some refugees find themselves indebted to their smugglers and may become victims of trafficking, being forced to work as indentured laborers to pay off the cost of their passage. Many others – including those who might be eligible to move through legal migration channels – decide they cannot afford the costs of self-funded migration, so wait in hope of resettlement, spending years “warehoused” in camps.¹²

This paper investigates whether the international community could help ensure greater financial accessibility to existing migration channels for refugees through the use of a revolving loan fund. It starts with two assumptions:

- Increasing the use of complementary non-humanitarian migration pathways by refugees will benefit not only refugees but the wider international community, particularly destination countries looking to fill labor needs
- No refugee should face a financial bar to using legal migration opportunities to move to a third country in pursuit of a better life, nor should refugees be excluded from existing migration opportunities.

Research Questions

In January 2016, the World Bank issued a call for projects to “Improve Development Responses to Refugees and Internally Displaced People.” In response, we proposed to study the role that innovative financial mechanisms could play in facilitating refugees’ access to existing migration channels. The initial terms of reference for the study were agreed in July 2016, and seed funding was received in December 2016.

¹¹ ‘Resettlement: Bring me your huddled masses’, *The Economist*, 26 May 2016, <http://www.economist.com/news/special-report/21699308-it-worked-indochinese-why-not-syrians-bring-me-your-huddled-masses>

¹² See. E.g. Koser, K. "Why migrant smuggling pays." *International Migration* 46.2 (2008): 3-26; Milner, J., and Loescher, G., "Responding to protracted refugee situations: Lessons from a decade of discussion." (2011), Refugee Studies Centre Oxford, *Forced Migration Policy Briefing* No.6

This study was initially intended to answer two key questions:

- (i) Could a revolving loan system help more refugees who meet existing migration requirement access complementary pathways to safety?
- (ii) Could access to an insurance fund help employers, communities and refugees by reducing the risks associated with labor migration for refugees?

Insurance Fund

Although many who could qualify for refugee status choose to move instead as labor or study migrants if they are qualified to do so,¹³ there is little evidence of those who are registered as refugees later becoming migrants as a means of finding a solution to exile, particularly in a formal way. Proposing that refugees should be able to move through existing migration channels – and that the international community should work to assist them in doing so – is undoubtedly innovative.

However, the corollary to innovation is that the existing data on the movement of refugees through migration channels is extremely sparse. A recent study by the Centre for Global Development (CGD) offered some evidence of considerable benefits accruing to Haitians traveling to the US as workers after the 2010 earthquake, but this study was not only small-scale but focused on 1) low-skilled agricultural work 2) temporary seasonal migration and 3) migrants who may have been displaced from their homes by natural disaster but were not refugees (so did not face particular *refoulement* protection challenges).¹⁴

As noted, this study initially intended to consider whether an insurance product for employers and/or refugees could help to reduce the risks associated with labor migration. In theory, insurance could increase the numbers of employers willing to hire refugees, by reducing the costs associated with making a “bad hire” from outside normal recruitment networks.

However, following preliminary discussions with insurance professionals and actuaries, it quickly became clear that the lack of available data regarding the outcome of such migrations, coupled by the fact that relatively small numbers of refugees were likely to be moving through such channels made it extremely difficult to envisage the successful design of any insurance product. In addition, it was not clear from discussions with employers that the perception of risk was a factor deterring them from hiring refugees. Bureaucracy and costs were considered more significant impediments: this confirmed the hypothesis that the “information and documentation gap” and financial need were the two most important barriers faced in ensuring refugees’ access to existing labor migration pathways.

¹³ Author fieldwork

¹⁴ Clemens, M. and Postel, H., ‘Temporary Work Visas as US-Haiti Development Cooperation: A Preliminary Impact Evaluation’, *Centre for Global Development*, 23 January 2017, <https://www.cgdev.org/publication/temporary-work-visas-us-haiti-development-cooperation-preliminary-impact-evaluation>

Given the existence of research papers detailing the “information and documentation gap” and TBB’s operational work in this area, the decision was taken to focus on the first question, and outline the parameters that might shape the development of a revolving loan fund.

Nevertheless, the question of how to mitigate risk – particularly for employers – remained an important consideration throughout the study and influenced the proposed design of the loan system outlined in Part C. In particular, the contingency-based model and the employer-fund models both speak directly to the question of how to reduce the risks associated with employing a refugee migrant, particularly for smaller businesses.

Methodology

This concept paper is a desk-based study. Following a survey of the (limited) existing literature on migration loan funds, interviews were carried out with a number of experts and potential stakeholders including microfinance institutions, crowd-lending NGOs, government representatives, credit unions in countries of destination and employers’ representatives. The study also drew on Talent Beyond Boundaries’ ongoing work to profile Syrian and other refugees’ skills as part of its employment pilot program.

The rest of this paper is divided into three parts. In Part A, existing loan schemes for refugees are detailed, and other humanitarian financing initiatives around refugee mobility discussed. A number of questions are raised. In Part B, the question of *who* should benefit from a loan scheme is considered and *when*, as well as a number of ethical and legal implications. In Part C, a model scheme is outlined using the case of Syrian migration to Canada as illustration. The paper concludes with a number of recommendations about how a loan fund could most effectively be used to increase refugees’ access to existing migration pathways.

A. Existing Loan Schemes

Overseas Workers’ Funds: Pre-departure loans

The costs associated with overseas migration have long been recognized, and at least two migrant-sending states (the Philippines and Sri Lanka) have previously experimented with offering their nationals pre-departure loans through state-backed Overseas Workers’ Welfare Funds.

These programs have had mixed success. The Sri Lankan initiative was launched in 2002, and offers loans to cover pre-departure expenses, the cost of self-employment (upon return), and housing. It was primarily intended to protect citizens against loan sharks, offering subsidized loan rates of between 7 and 16%, but take-up has been relatively low and there is some evidence that the loans have been used largely to cover pre-departure expenses rather than

reintegration costs.¹⁵ Similarly, in 2008, the Philippines suspended its pre-departure loan scheme because of poor repayment rates (29%) and limited take-up, although a scheme for overseas workers departing for Korea has recently been reintroduced.¹⁶

In addition to these two state-funded loan schemes, the development NGO BRAC also runs a migrant loan initiative in Bangladesh, as part of its safe migration program. Under this scheme, BRAC offers a customized loan to two co-borrowers, one of whom will remain in Bangladesh, for an average loan on \$2,300.¹⁷ Primarily aimed at those looking to move to the Middle East, as of June 2016 BRAC has funded 194,000 migrant loans.¹⁸

These examples underline the need to ensure that any loan fund both meets refugees' needs (or, in these OSW fund examples, migrants' needs) and can effectively collect repayments. They also speak to the need for migration loans to be embedded in wider programs offering additional services too – for instance, BRAC also offers pre-departure orientation and will check travel documents to guard migrant workers against fraud.

However, it is also important to note the differences between these overseas workers and the refugee population this initiative would target.

- Refugees travelling through existing migration channels are likely to be relatively high-skilled compared to overseas workers using these funds (as opportunities for low-skilled temporary work are less likely to meet refugees' protection needs), making repayment plans easier to meet.
- Refugees are seeking not only employment and opportunity, but also permanent sanctuary. As a result, refugees who are afforded the opportunity to migrate through this fund may be more likely to feel a moral obligation to repay their loan in order to keep the pipeline open for those coming behind them. As refugees are also likely to be seeking a pathway to permanent residency, the opportunity that loan repayments offer to start building up a good credit history should also be emphasized.
- Co-borrowing mechanisms are less likely to work well as a means of encouraging repayment as refugees are by definition displaced and families often dispersed, and so loan applicants are more likely to have limited community networks in host countries.

Refugee Resettlement Loans

¹⁵ del Rosario, T., *Best Practices in Social Insurance for Migrant Workers: The Case of Sri Lanka*, ILO, March 2008, available at: http://www.ilo.org/dyn/migpractice/migmmain.showPractice?p_lang=en&p_practice_id=151

¹⁶ Martin, P., 'Reducing the Cost Burden for Migrant Workers: A Market-based Approach', *Global Forum for Migration and Development*, 30 August 2009.

¹⁷ Here and throughout the paper, monetary amounts quoted are in US dollars (USD) unless otherwise stated.

¹⁸ BRAC, *Migrant Loans*, 17 January 2016, <http://www.brac.net/microfinance-programme/item/858-migration-loans>

The idea of loaning refugees money to ensure their safe passage to a third country is also not new. The US, Canada and Australia already make use of loan funds to finance refugees' arrivals through humanitarian resettlement programs.

In the US, resettled refugees normally sign a promissory note (if over the age of 18) agreeing to repay the cost of airfare within 42 months. Repayment usually begins 6 months after their arrival. The loans are interest free, and an average of \$1200/person is borrowed, with monthly repayments averaging \$85. Distributed through the International Organization for Migration (IOM), collection is then managed by the nine private sector resettlement agencies that coordinate resettlement services in the US. These organizations charge a 25% administration fee (so the US government therefore recoups only 75% of the initial loan amount). Although the scheme in the 1980s suffered from poor collection systems and record keeping, today approximately 70% of all loan amounts are repaid with 5 years, and 78% within 10 years.

In the past ten years, \$645 million has been provided to refugees through the loan program. However, refugee advocates have argued that resettled refugees should not be expected to pay for their own airfares, and that resettlement agencies should not be profiting from their role in collecting these loans.¹⁹

The Canadian loan program was created in 1951 to 'financially assist immigrants from Europe whose services were urgently needed and could not afford their own transportation'. However, in practice 98% of those receiving funds today are resettled refugees, with the money used to ensure that medical exams and airfares can be paid. The loan program is funded through an advance of \$110 million from Canada's Consolidated Revenue Fund. On average, \$13 million CAD (\$10 million USD) in loans are issued per year, with an average loan amount of \$3090 CAD (\$2400 USD). Loan repayments are intended to start 30 days after the recipient has arrived in Canada, and interest is charged on the loans after an initial interest-free period which varies from 12 to 36 months, with rates varying between 1.26% and 4.24% between 2003 and 2012. Administrative costs are not considered separately from the Department of Citizenship and Immigration budget.²⁰

A 2016 evaluation of the Canadian loan program found that of accounts opened during this period, 69% had been paid in full, and 10% were currently being paid at the time of the research. While the evaluation underlined the financial robustness of the program, it also made a number of recommendations aimed at ensuring that loan repayments did not place an undue burden on refugee recipients, including a longer "grace" period before repayment

¹⁹ See *Questions for the Record Submitted to Director Larry Bartlett Senator Jeff Sessions (#2)*, Senate Judiciary Committee, 1 October 2015,

<https://www.judiciary.senate.gov/imo/media/doc/Bartlett%20Responses%20to%20Sessions.pdf>; Westcott, L. 'A brief history of refugees paying back the U.S. Government for their travel', *Newsweek*, 12 December 2015, <http://www.newsweek.com/brief-history-refugees-paying-back-us-government-their-travel-403241>

²⁰ *Evaluation of the Immigration Loan Program*, September 2015, Citizenship and Immigration Canada, http://www.cic.gc.ca/english/pdf/E6-ILP_Eng.pdf. Note: the Citizenship and Immigration Canada department has been renamed Immigration, Refugees and Citizenship Canada (IRCC).

collections begin, and better financial education when loans are dispersed (the average visa officer spent no more than five minutes explaining the loan program to resettlement candidates).

There has also been considerable criticism in the past year of the interest rates charged on refugee loans: this led to the government temporarily suspending travel loans for those Syrians arriving between November 2015 and February 2016, instead covering the costs directly as a grant.²¹ However as the Canadian evaluation also underlined, there are also broader concerns about requiring new residents to take on significant debt, particularly given that resettled refugees often lack financial skills and have limited employment opportunities. Studies also suggest that refugees may prioritize working to repay their loan over study or language classes, exacerbating integration barriers.²²

Similarly, in Australia the IOM's No-Interest Loan Scheme can be used by proposers or sponsors – (usually family or friends) of a refugee arriving in Australia on a Global Special Humanitarian Visa (subclass 202) to cover up to 75% of travel costs. In this scheme, it is the proposer, rather than the refugee, who is responsible for the repayment of the loan.²³ This program can be seen as part of a broader renewed interest across the OECD in privately sponsored resettlement as a model through which to address the post-2015 Syrian refugee crisis.²⁴

It seems clear that in ideal circumstances refugees should not be asked to pay for their resettlement. However, hostile political climates in many states today are putting existing political systems under threat, and the prospects of greater financial commitment to resettlement from states seems remote. This is further underlined by a growing interest in private resettlement (where, in line with the Canadian model, organizations or family act as sponsors and pay upfront resettlement costs).

The operation of these resettlement loan funds offers some useful lessons when considering how a loan fund for refugees seeking access to complementary pathways might operate. In particular, the Australian, US and Canadian cases all highlight:

- **The need to pay careful attention to repayment rates**
In the long-term, a loan scheme is only viable if refugees are able to repay their loans and replenish the funds. Evidence suggests that the vast majority refugees

²¹ See e.g. *Press Release on the Reinstatement of Travel Loans for Syrian PSRs*, The Canadian Refugee Sponsorship Agreement Holders Association, March 2 2016, <http://www.sahassociation.com/blog/press-release-reinstatement-travel-loan-syrian-psrs/>

²² *Evaluation of the Immigration Loan Program*, September 2015, Citizenship and Immigration Canada, http://www.cic.gc.ca/english/pdf/E6-ILP_Eng.pdf

²³ See IOM Australia, *IOM No Interest Loan Scheme*, http://www.iomaustralia.org/projects_nils.htm

²⁴ *Global Refugee Sponsorship Initiative Promotes Canada's Private Sponsorship Model*, <http://www.unhcr.org/news/press/2016/12/58539e524/global-refugee-sponsorship-initiative-promotes-canadas-private-refugee.html>

want to repay their loans and appreciate the importance of doing so, but often struggle to do so given limited employment prospects.

- **The need for a grace period/sustainable repayment rates/financial education**
The Canadian evaluation clearly underlines that resettled refugees often struggle to begin making immediate repayments on their loans, and that financial education is often limited. This results in some loans indirectly contributing to refugees' integration struggles and/or post-arrival impoverishment.
- **The need to limit interest rates and/or administrative costs**
The Canadian program is the only one of the three schemes that charges interest on loans (and, as noted, this has proven politically contentious). However, the US system in effect includes a 25% administration charge (as only 75% of the loan is returned to the government). It seems clear that some resettlement agencies see this as a form of income-generation, cross-funding other activities. This too is controversial. Many refugees also have low levels of financial education and may struggle to understand the implications of complex financial arrangements e.g. compound interest etc.

Other Humanitarian Finance Initiatives

A refugee loan fund to improve access to migration pathways is not the only financial initiative to aid refugees' mobility that is currently under discussion. In March 2017, the Centre for Global Development (CGD) brought together a working group looking to consider ways in which innovative finance initiatives could be used to expand refugee resettlement opportunities.

While these discussions are in very early stages and are focused on global humanitarian financing at the global donor level, CGD's work to date has primarily focused on the idea of "bringing forward future costs" to replace future spending on refugee care and maintenance with more immediate investment in the process of refugee resettlement (with the expectation that over time that these refugees will then become net contributors). In particular, CGD has suggested that a "humanitarian investment fund" (HIF) could use definite commitments from donors paid over 10-20 years to leverage funds from private capital to support refugee resettlement.²⁵

This model essentially builds on the same recognition of a need to unlock protracted refugee crises as the labor migration revolving fund outlined in this concept paper, although in this case financial innovation would be used to make refugees' mobility more attractive to states (i.e. increasing opportunities for resettlement) rather than employers/the refugees themselves (as is the case with the loan fund).

²⁵ Talbot, T., Postel, H., and Barder, O., 'Humanitarian Investment Fund for Refugees: How to Turn Ordeal into Opportunity for All', *Centre for Global Development*, May 2016, <https://www.cgdev.org/blog/humanitarian-investment-fund-refugees>

There has also been considerable interest from a number of donor governments in developing privately sponsored resettlement programs, building on the Canadian model which allows groups of private citizens, communities and NGOs to meet the costs of supporting refugee resettlement. In December 2016, the Global Refugee Sponsorship Initiative was launched, led by the Government of Canada in conjunction with UNHCR, the University of Ottawa, The Radcliffe foundation and the Open Society Foundations.²⁶ Many governments have expressed an interest in using private community sponsorship as a means to improve integration prospects for refugees and – potentially – to increase resettlement commitments without having to take on the associated financial burden. A revolving loan fund for refugees wishing to move as labor migrants could potentially be closely associated with efforts to encourage private sponsorship, particularly if the fund focuses on expanding the pool of potential employers able to offer refugees work.

These wider humanitarian financing initiatives that aim to improve refugee access to resettlement should be viewed as complementary to the loan fund as proposed in this paper. On the one hand, these initiatives are arguably more ambitious and global in scale, in terms of reframing refugee resettlement. Yet on the other hand, the aim of the HIF and the Private Resettlement Group is ultimately to increase the absolute number of resettlement places, and there are significant political obstacles to states' willingness to do this: the problem is not just a financial one. A loan fund that seeks to improve access to existing migration channels rather than expand resettlement is arguably a more agile and more immediate response to current crises. A loan fund may also help to target a different population from those traditionally able to access resettlement through these initiatives (which tend to be those with particular vulnerability and/or existing family or diaspora connections).

B. Global Needs and Ethical Considerations

A Loan Fund: Who should Benefit?

The question of eligibility – *who* should be able to apply for a loan, at what stage in their migration journey, and under what repayment conditions – is contingent upon a number of other ethical and practical considerations discussed below and in Part C. There are a number of possible approaches that should be considered:

- 1. Should only refugees be able to apply to the fund?** Many refugees are – in socio-economic terms – no worse off than other local citizens, and may have better access to social services.²⁷ A case can be made that a revolving loan fund should not be closed to

²⁶ UNHCR, Global Refugee Sponsorship Initiative promotes Canada's private refugee sponsorship initiative, December 2016, <http://www.unhcr.org/en-us/news/press/2016/12/58539e524/global-refugee-sponsorship-initiative-promotes-canadas-private-refugee.html>

²⁷ see e.g. Hynes M et al., Reproductive health indicators and outcomes among refugee and internally displaced persons in post-emergency phase camps, *Journal of the American Medical Association*, 2002, 288(5):595–603; Danish Refugee Council, *The Dadaab Dilemma – A study on livelihood activities and opportunities for Dadaab refugees*. August 2013, https://drc.dk/media/1654297/dadaab_livelihood_study_-final_report.pdf

qualified local community members who also wish to migrate but are unable to do so (what has been labeled “involuntary immobility”)²⁸. However, refugees do often face specific barriers to accessing labor markets in countries of asylum as well as having specific protection needs related to displacement. Furthermore, in pragmatic and strategic terms a loan fund – especially in the pilot stage – is more likely to attract donors/guarantors if specifically focused on the refugee crisis. It is therefore reasonable to assume that, at least in the pilot stage, the loan fund should focus on refugees only.

2. **Should all refugees be able to access the fund?** Allowing all refugees to apply to the fund ensures no bias in selection. However, only a limited number of refugees are likely to meet the criteria for high-skilled labor migration pathways as set by states: these can include language test scores, educational or skills qualifications, or proof of a job offer. More refugees are likely to qualify for lower-skilled temporary programs or to travel as students, but there may be a lower likelihood of repayment in these cases. Loan applicants will need to be pre-screened to ensure that loans are not issued to refugees who will not meet the criteria states have established for labor or study migration. Establishing the refugees’ intended pathway and destination, their language proficiency, existing qualifications and any serious health conditions should be done before time is spent by refugees completing a full application. This could be done through a simple online screening tool (already used by many states’ immigration programs/immigrant broker sites).²⁹
3. **Should refugees looking to migrate through short-term low-skilled programs (e.g. agriculture) be offered loans?** The value of migration as income-generation/livelihood improvement strategy is well-established. There is no reason why refugees or forced migrants looking to move temporarily or through low-skill pathways should not in theory be able to benefit from a revolving loan fund, particularly those who are trapped in protracted exile, and while facing few ongoing protection threats have limited opportunities for economic development. Research by CGD looking at the experiences of Haitian workers in the US after the 2010 Haitian earthquake suggest significant development and reconstruction dividends for displaced persons able to access temporary labor migration channels, including raising the value of Haitian workers’ labor by a factor of 15.³⁰ As it is often employers of low and medium-skilled workers who are unable or unwilling to pay recruitment expenses, in the long-term this may be the area where there is most potential for loan funds to be used to facilitate refugee mobility, although this would limit the fund’s use as a means of securing durable solutions for refugees, rather than improving conditions during exile. For this reason, it would seem useful – at least in the pilot stage – to focus on individuals applying to move as highly-skilled migrants, as a more limited group for whom there are fewer issues to negotiate

²⁸ Carling, Jørgen. "Migration in the age of involuntary immobility: theoretical reflections and Cape Verdean experiences." *Journal of ethnic and migration studies* 28.1 (2002): 5-42.

²⁹ See e.g. <http://www.workpermit.com/immigration/australia/australia-skilled-immigration-points-calculator>; <http://www.cic.gc.ca/english/immigrate/skilled/crs-tool.asp>

³⁰ Clemens, M. and Postel, H., ‘Temporary Work Visas as US-Haiti Development Cooperation: A Preliminary Impact Evaluation’, *Centre for Global Development*, 23 January 2017, <https://www.cgdev.org/publication/temporary-work-visas-us-haiti-development-cooperation-preliminary-impact-evaluation>

regarding perceived risks of overstaying and/or the right of return to a country of asylum.

- 4. Should refugees looking to move as students be offered loans?** Alongside labor mobility, educational visas are an important complementary pathway. However, the costs of applying to institutes can be high (some institutions may waive costs for refugees/applicants from Lesser Developed Countries (LDCs), but this is not a universal practice, and often does not extend to language tests/costs of obtaining transcripts etc.) Many partial scholarships do not cover the costs of visas and transport. Access to a revolving loan fund would certainly allow more refugees to apply for study visas, but repayment is likely to be contingent upon being then accepted to study, completing a course of study and then beginning repayments – i.e. 5-6 years. For this reason, a pilot testing the feasibility of a loan program for refugee migration should focus on those moving through employment channels. One option to explore subsequently could be a program issuing application loans to pre-screened applicants, with the loan provider then partnering with universities to repay costs immediately for any applicant offered a place.

Setting eligibility criteria for these loans is, in part, a means of controlling and tailoring demand to better match limited supply. It has been extremely difficult to establish the likely levels of demand from qualified refugees for a revolving loan fund as a means of improving their access to complementary migration pathways. This is in part because there is sparse data on the skills and language profiles of refugee populations, particularly outside of high-profile crises (e.g. Syria or Iraq). Anecdotally, researchers suggest that there are small groups of high and mid-skilled refugees in a number of different settings, particularly among the urban displaced (e.g. Kampala, Nairobi, Delhi), but there is little empirical data.

It is recognized that the Syrian refugee population contains a disproportionate number of high-skilled workers in comparison with other displaced groups.³¹ As part of its employment-matching efforts, TBB has sought to gather more granular data on refugee skillsets. At time of writing (April 2017) TBB had now gathered 7867 profiles of refugees in Lebanon and Jordan, including details of professional skills in 4171 cases. These include 247 professors or lecturers; 117 civil engineers; 74 computer programmers and 48 pharmacists.³²

While this survey data is self-reported, it does suggest that there is a group of refugees in Lebanon and Jordan for whom a revolving loan fund to help access labor migration opportunities could help provide a meaningful solution to exile.

This report draws two inferences from this information:

- 1.** There is a need to better understand refugee populations' skills profiles and how these map against labor migration opportunities, as a complementary pathway to

³¹ see e.g. UNHCR, Syrian Refugee Arrivals In Greece - Preliminary Questionnaire Findings April-September 2015, 8 December 2015, <https://data2.unhcr.org/en/documents/details/46542>

³² TBB data, 7 April 2017

resettlement. However, collecting this data is likely to prove complex and time-consuming, especially in urban settings. This paper therefore recommends a more reactive, iterative proof-of-concept approach (a “lean start-up” model) to prevent delay in rollout. If successful, a Syrian refugee pilot program should then be trialed in new locations where there is expectation of demand, and adjusted appropriated for local market conditions.

2. As previously noted, a loan fund must be just one part of a broader effort to ensure refugees can access existing migration pathways. It cannot operate in a vacuum. In particular, the success of removing financial obstacles also depends upon removing information and other bureaucratic barriers. Following the BRAC model and ensuring that loans are issued as part of a broader program that offers, at a minimum, advice on financial planning, assistance with documentation and travel, and monitoring and evaluation of employee-employer relationships is important. This could be done by partnering with existing organizations working in this area, such as the International Organization for Migration (IOM). Developing online reference tools that are publicized through appropriate social networks could also prove cost-effective.³³

The Ethics of Migrant Loan Funds

Another important question that needs to be considered is whether it is *ethical* for refugees moving as migrants to third countries to be asked to take out loans in order to cover the costs encountered during this process. It is important that any loan fund program can take account of legitimate ethical concerns. In addressing these, there is a need to distinguish between principles and ideals (as long-term advocacy goals) and operational pragmatism (short-term urgent need).

There is clearly a risk that a loan fund program targeted at refugees looking to move as migrants may:

- Foster expectations more broadly that refugees should have to pay to leave a humanitarian crisis
- Increase vulnerability and slow integration and education post-arrival by burdening newly arrived refugee-migrants with debt
- Undermine efforts to ensure that is employers who pay the costs associated with recruitment, and not the migrant: “the employer pays” principle

Paying to Leave a Crisis

Refugees have an absolute right, enshrined in international law, to claim asylum without any payment being required. Yet when it comes to the question of onward movement, or of

³³ For more ideas on Migrant Resource Centres, see Long, K. and Rosengertner, S., "Protection through Mobility: Opening Labor and Study Migration Channels to Refugees", *Migration Policy Institute*, (2016), <http://www.migrationpolicy.org/research/protection-through-mobility-opening-labor-and-study-migration-channels-refugees> (accessed 10 April 2017).

accessing a durable solution such as resettlement to a third country, this is not always the case. Although the *ability to pay* is never considered, refugees resettling to the US or Canada are required to pay for their own transport to their destination, and offered a travel loan if they are otherwise unable to afford to pay.³⁴

In all cases, the governments concerned justify their use of resettlement loans as a means of facilitating resettlement on a much greater scale than would otherwise be possible, without having to secure approval for much larger resettlement budgets (almost certainly politically impossible). This means that there *is* clearly a precedent for asking refugees to pay for their travel to a third country, and providing them with access to the necessary financing to ensure that an inability to pay is not prohibitive. More pragmatically, it should not be forgotten that asylum-seekers and refugees trapped in limbo have repeatedly shown themselves willing to pay – often using money borrowed with ruinous terms and conditions – to travel irregularly in search of a third country solution.³⁵

Importantly, the *ability to pay* is never a factor in selecting refugees for resettlement. While ideally this would translate to no refugee being required to pay for a durable solution and the travel instead being viewed as a form of humanitarian assistance, providing resettling refugees universal access to a travel loan seems a reasonable pragmatic compromise.

In the case of non-humanitarian work or study migration channels, there are similarly costs that someone must pay. If the refusal or inability of other actors to meet these costs creates barrier for refugees seeking to access these routes, creating a loan fund that all eligible refugees can use to pay for migration is one practical step to ensuring that these complementary pathways do not only exist on paper.

Loan Conditions

Accepting the pragmatic necessity for travel loans for refugees does, however, demand that stringent attention be paid to the conditions attached to the loan. As the Canadian 2016 evaluation makes clear, if the terms and conditions attached to travel loans impoverish refugees, or leave them vulnerable to greater degrees of isolation, limiting opportunities for integration, this is ethically problematic.³⁶

³⁴ Information on the US resettlement loan system from *Questions for the Record Submitted to Director Larry Bartlett Senator Jeff Sessions (#2)*, Senate Judiciary Committee, 1 October 2015, <https://www.judiciary.senate.gov/imo/media/doc/Bartlett%20Responses%20to%20Sessions.pdf>; Westcott, L. 'A brief history of refugees paying back the U.S. Government for their travel', *Newsweek*, 12 December 2015, <http://www.newsweek.com/brief-history-refugees-paying-back-us-government-their-travel-403241>. Information on the Canadian resettlement loans see *Evaluation of the Immigration Loan Program*, September 2015, Citizenship and Immigration Canada, http://www.cic.gc.ca/english/pdf/E6-ILP_Eng.pdf

³⁵ In 2015, the estimated turnover for smuggling networks moving migrants to and from the EU was 3-6 billion Euros (3.2-6.4 billion USD). See Europol, *Migrant Smuggling in the EU*, Europol Public information, February 2016.

³⁶ *Evaluation of the Immigration Loan Program*, September 2015, Citizenship and Immigration Canada, http://www.cic.gc.ca/english/pdf/E6-ILP_Eng.pdf; See also Khandaker, T., 'Most Syrian Refugees Coming To

The fact that those accessing the loan fund under discussion in this paper would be traveling as migrants – so in the majority of cases be moving to take up a specific employment offer or have been judged to have other sufficient means of support upon arrival – does mean that this fund’s clients are more likely to be able to make repayments without suffering an undue financial burden. It appears reasonable to assume that in general refugees traveling as migrants through existing legal channels will often be less vulnerable than those moving through resettlement channels, in part because existing legal channels skew heavily towards admitting only high-skilled migrants on long-term visas.

Nevertheless, it will be important to ensure that any loan program offers better terms than those otherwise available to refugee-migrants, who often have limited access to credit both in a country of asylum and upon arrival in a host resettlement country, and as a result may end up dependent upon more predatory forms of credit.

Cherry-picking refugees

Many recent initiatives that have focused on increasing refugees’ rates of employment have concentrated on in-country job creation. The charge can be made that schemes that allow higher-skilled refugees to migrate *increase* the dependency of the remaining refugee populations (and thus the host country burden) by allowing those most able to contribute economically while in exile to leave for a third country, accelerating “brain drain”. However, many refugees face considerable restrictions on their access to labor markets in host countries – both in terms of formal bars on their participation and informal discrimination. The broader evidence for alleged “brain drain” is also not conclusive, particularly if return migration and the impact of financial remittance upon education prospects are considered.³⁷ Furthermore, if the ability of qualified refugees to access labor migration pathways leads to host countries improving access to work for such refugees in their own labor markets, this should be considered a *positive* outcome in terms of the quality of asylum available to refugees.

Employer Pays Principle

The ethics of refugee resettlement are not the only ones that should be considered in this context. The ethics of migrant worker recruitment are also relevant, particularly when considering the role that the *employer* should pay in meeting the costs associated with moving internationally to take up work.

The Dhaka Principles for Migration with Dignity state that businesses and recruiters should ensure that “No Fees Are Charged to Migrant Workers”.³⁸ In response to this, in May 2016 the

Canada Will Live Below the Poverty Line’, *Vice*, 4 February 2016, <https://news.vice.com/article/most-syrian-refugees-coming-to-canada-will-live-below-the-poverty-line>

³⁷ see e.g. Clemens, M., ‘Why it’s time to stop the Brain Drain Refrain’, Centre for Global Development, 30 June 2015, <https://www.cgdev.org/blog/why-its-time-drop-brain-drain-refrain>

³⁸ Dhaka Principles for Migration with Dignity, <http://www.dhaka-principles.org>

Employer Pays Principle was launched, intended to encourage businesses to commit to ensuring that no worker be asked to pay for a job, and to promote stewardship of supply chain employment practices. The five founding members of the Leadership Group for Responsible Recruitment – Coca-Cola, HP Inc., Hewlett-Packard Enterprise, IKEA, Unilever – have committed to this principle, as has the Electronic Industry Citizenship Coalition. However, other big businesses have failed to offer public backing for this initiative.³⁹

The problem of employer recruitment fees is particularly acute for low-skilled workers. In the case of companies directly recruiting high-skilled workers to fill existing labor shortages, many are competing for these workers, and so will offer broad relocation packages that can cover some or all visa and legal costs, as well as the cost of flights, initial accommodation, and even car hire. These are understood to be transactional costs, offset by the benefits that will accrue over time from hiring the worker. For these companies, a revolving loan fund for refugee workers is unlikely to impact hiring decisions.

On the other hand, many legal migrant workers – especially those who are hired through recruitment agencies and/or work in lower-skilled sectors like domestic service or agriculture – are often charged recruitment fees or are expected to cover the costs of arriving to take up work. This type of practice can range from clearly exploitative (disproportionate fees charged; high interest rates on loans) to more informal arrangements – for instance a migrant knows that that a job will be waiting for him (often with family or friends) if he is able to secure a visa and the cost of passage. Migrants without work authorization are often at particular risk of being charged unfair and opaque recruitment fees.⁴⁰ For these employers and employees, a revolving loan fund could have a significant impact.

In considering the ethical implications of loaning money to refugees in order for them to migrate, the project's end goal should also be kept in mind. Ultimately, a revolving loan fund is a worthy initiative if it increases the numbers of refugees able to establish a pathway to a long-term solution in a third country. Properly designed, an ethical loan fund should be able to meet this goal without necessarily undermining a wider commitment to reforming recruitment practices or allowing businesses to abrogate responsibility for their workers. Instead, a revolving loan fund should be seen as an urgent and ideally short-term response to refugees need for credit in order to reach safety and opportunity.

An ethical loan fund would most likely need to focus upon two areas. First, improving *access* to labor migration and other non-humanitarian visas. Second, expanding the labor market.

³⁹ Institute for Human Rights and Business, 'The Employer Pays Principle', <https://www.ihrb.org/employerpays/the-employer-pays-principle>

⁴⁰ See UNODC, *The Role of Recruitment Fees and Abusive and Fraudulent Recruitment Practices of Recruitment Agencies in Trafficking in Persons*, 2015, https://www.unodc.org/documents/human-trafficking/2015/Recruitment_Fees_Report-Final-22_June_2015_AG_Final.pdf

Access

Revolving loan funds might cover:

1. **Early pre-application/pre-departure costs for refugees seeking a migrant labor visa, including for those who do not yet have a specific offer of employment.** Such costs might include language testing, or Internet costs for completing an online application, or obtaining/notarizing documents. Such loans would be relatively small (perhaps a few hundred to a few thousand dollars) but would be much higher risk (as many would not actually receive a job offer and migrate). They would probably need to be issued on a “no-visa, no-fee” contingency basis.
2. **Pre-application and application costs for migrants looking to move through other non-humanitarian visa channels, particularly study visas.** Such costs might include university application fees (though many universities will waive these for applicants from LCDs) as well as language testing, Internet access costs, documentation costs etc. A loan might also cover the cost of a visa application. Again, such loans would be relatively small, but would again be relatively high risk and the loan terms would be extended as they would be likely not to be repaid until the course of study was completed. Given that a number of refugees would apply and then not be able to study, there would also be a need to issue the loans on a contingency basis.
3. **Costs associated with the migration of family members looking to travel with a worker on dependant visas.** Many employers who pay for a workers’ visa will not cover the additional costs of bringing a spouse, children or elderly parents on dependant visas, or will only do so partially. Using a revolving loan fund to allow refugees-migrants to travel with their families would increase the numbers able to benefit from each offer of work. These loans would be larger (covering multiple airfares), and would need to be structured to avoid newly-arrived families struggling under a heavy debt burden.

Market Expansion

1. **Costs for businesses that would otherwise not recruit migrant workers.** Some small and medium sized businesses have labor needs that could be met by recruiting from overseas, but may lack the financial capital to pay for the recruitment process (e.g. small-scale construction firms), so ask workers to pay these costs or simply do not recruit from this pool. A loan fund could help to provide these businesses with the financial security needed for them to consider recruiting refugees by reducing the direct risk/outlay involved. One issue to consider is what tests, if any, would be used to establish criteria for firms’ eligibility (e.g. no previous recruitment of overseas workers) or whether self-referral would be sufficient. Another is whether the money would be provided to the business to use for recruitment, or whether loans would be issued directly to the refugee-employee. For reasons discussed in section B, while a direct issue to the refugee-employee would be preferable, with employers supporting the application, it is likely that some loans will issued directly to the employer.

In conclusion, the ethics of administering a revolving loan fund for refugee-migrants are complex, but they are not insurmountable. The most ethical design for a loan fund should incorporate:

- A low-interest and low-penalty model with access to financial education and advice before and through the loan period
- A focus on expanding the absolute numbers of refugees able to access labor migration pathways by offering funds to small and medium sized businesses for whom the costs/risk of overseas recruitment is high
- Loans for those costs that are encountered before an offer of employment/study is received and/or family members for whom a business would not normally pay.

C. A model revolving loan fund for refugees

At a global level, there are clearly refugees who could benefit from better access to existing international migration pathways, though in terms of likely scale this should be understood as improving opportunities for individual refugees and ensuring equality of access, rather than offering a wide-scale “solution” to a refugee crisis. However, to move beyond matters of principle and establish workable programs offering the financial loans, information and administrative assistance necessary to bridge refugees’ migration gap, local context is key. Different refugee groups have vastly different skills profiles; different destination countries have both varying labor needs and a wide range of political contexts.

The final section of this paper therefore focuses on mapping out a possible pilot program that would focus on opening up Canadian immigration opportunities to refugees in Jordan and Lebanon.

Why Canada?

The choice of Canada as the pilot destination country reflects a number of pragmatic and political considerations:

- *Canada as a country of immigration:* Canada is actively seeking to attract high- and mid-skilled immigrants. Canada’s migration system, known as “Express Entry” also allows would-be migrants to apply directly for permanent residency from the outset, and does not necessarily require applicants to hold an offer of employment.
- *Availability of data:* a long-established private sponsorship resettlement program and the government resettlement loan scheme (as discussed in Parts A+B) mean that there is relatively good availability of information regarding the costs incurred by refugees after their arrival in Canada.
- *Political will:* Canada has committed considerable resources to refugee resettlement since the election of the Trudeau government in 2015 and has demonstrated a willingness to encourage and support humanitarian innovation directed towards assisting refugees.

Scalability

The choice of Canada as a pilot destination is intended to ensure the greatest possible opportunity for the successful testing of a loan fund for refugees traveling as migrants. Yet it should be noted that many of the factors that may assist success in the Canadian context are absent elsewhere. Few other industrialized states currently allow labor migrants to enter without a job offer, or to apply directly for permanent residency. Many have proven unwilling to expand resettlement programs. These differences do present a potential challenge in terms of the scalability of a loan fund.

However, Canada's exceptionalism should also not be exaggerated. There are skilled labor shortages in a number of industrialized countries, and most analysts expect continued immigrant recruitment to have to continue for markets in Australia, the UK (especially post-EU withdrawal) and the US even in the face of populist political agitation. There has also been considerable interest in these locations from civil society and business leaders in increasing opportunities for direct engagement in refugee resettlement and integration. A successful Canadian pilot could be used as the basis for expansion of a loan fund into these states.

In addition, many countries in the Middle East and North Africa rely heavily on migrant labor, and already recruit many workers from refugee-producing countries in the region. TBB, for instance, is already working to establish a pilot program in Morocco. An important consideration in expanding to new destination countries is the levels of protection that refugees are likely to be afforded, and the security offered to labor migrants more generally (particularly regarding residency and working conditions). For this reason, there would be particular ethical concerns associated with expansion of the loan fund to cover labor migration to many countries in this region, especially those who are not signatories to the 1951 Refugee Convention.

This scoping study suggests that the numbers of refugees who are able to move through existing labor migration pathways is always likely to be small as a proportion of the total global refugee population. Even at scale, annual numbers of eligible refugees are likely to be at most a few thousand (rather than hundreds of thousands). However, the principle of equal access to migration is an important one, and the impact on individual refugees' lives (and by extension their families, including through remittance transfers) is also crucial.

Canadian labor need

Globally, the demand for more skilled workers in the IT and construction industries has been well documented - 40 per cent of employers globally in these sectors are currently unable to fill some of their labor needs. The sector with the highest need is skilled trades (as it has been for the past five years), which includes carpenters, electricians, welders, bricklayers, plasterers, plumbers, and masons.⁴¹

⁴¹ Manpower Talent Shortage Survey, 2016, <http://www.manpowergroup.com/talent-shortage-explorer/>

Thirty-four per cent of the Canadian employers that participated in Manpower's Global survey cited above reported having difficulty in filling open jobs. Manpower, Hays, and the OECD recommend that governments look to foreign workers to fill these skill gaps, as the continued use of skilled migrants creates productivity gains for employers and enables growth of the economy as a whole.⁴²

Hays cites that the construction industry in Canada faces the highest incidence of moderate to extreme hiring difficulties, with 83 percent of countries reporting difficulty. The IT industry reported 80 percent. Construction and IT reported a moderate to extreme skill shortage in the industry at 80 and 60 percent, respectively. Hays notes also, however, that two of the biggest contributors to Canada's growing GDP are growth in the construction and IT/technology sectors in British Columbia, Ontario, and Quebec.⁴³ Demographic trends also point to the likelihood of continued shortages. The Construction Sector Council (2011) predicts a loss of almost one-quarter of the construction workforce by 2019 due to retirement.⁴⁴

Nevertheless, there are currently financial barriers for Canadian firms looking to hire migrant workers. An interview with one staff member from the Edmonton Construction Association revealed that employers will generally only cover the costs of hiring a foreign worker when it brings a positive return on investment. As hiring from abroad is more complicated, especially in terms of matching employer to employee, construction companies tend to hire in 'batches' - for example, when some large companies identify a need for a sizable group of masons, they might have their human resources department recruit several people at once from one country.⁴⁵

As noted, Canada is also a useful destination for the pilot project given broad interest in assisting refugees and familiarity with the concept of refugee resettlement and sponsorship. The Edmonton Construction staff member also noted that there are 'socially conscious leaders' who go for the 'compassionate hire' – and that in these cases, they are very generous with covering costs. Furthermore, when people are hired as part of the *Temporary Foreign Worker Program* in Canada, employers are required to pay their return travel costs; pay their health insurance until they are covered; and assist them to find decent housing. This may set a precedent for employers in Canada to pay for some of the travel and settling-in costs of incoming refugee hires.

The Resettlement Link

⁴² Ibid.; Hays Global Skills Index, 2016, <http://www.hays-index.com>; OECD, 2016, *OECD Employment Outlook 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2016-en

⁴³ Hays Global Skills Index, 2016, <http://www.hays-index.com>

⁴⁴ Buildforce Canada, *2015-2024 Key Highlights*, https://www.constructionforecasts.ca/sites/forecast/files/highlights/2015/en/2015_NL_Constr_Maint_Looking_Forward.pdf

⁴⁵ Interview, Edmonton Construction Association, April 2017.

In the past two years, there has been considerable interest in the potential to use private finance to expand the number of resettlement places available for refugees. In December 2016, the Global Refugee Sponsorship Initiative—led by the Government of Canada, the United Nations High Commissioner for Refugees, the University of Ottawa, the Radcliffe Foundation, and the Open Society Foundations— was launched. The GRSI is designed to provide training and advice to countries interested in replicating the Canadian private sponsorship model, which has seen 13,000 Syrians resettled since November 2015 and over 288,000 refugees resettled since its inception in the late 1970s.⁴⁶ However, the Canadian government also announced in December 2016 that it planned to cap the number of private sponsorship applications at 8,500, reducing the number of community applications to just 1000.⁴⁷

Labor and study migration is not resettlement. Refugees travel as employees or students and their applications are assessed alongside other non-humanitarian cases. However, there are some obvious connections between the private sponsorship resettlement model and using revolving loan funds to help refugees migrate. In particular, if the loan system is designed to help expand the market of small and medium sized businesses able and willing to employ refugee workers, this could be considered as a kind of employment-based resettlement. Encouraging employers to connect to community groups and other support structures that have been established to assist more “traditional” resettlement cases could also help to facilitate refugees’ wider integration and inclusion in their new communities.

Care should be taken to ensure that complementary pathways for refugees are never a substitute for much-needed humanitarian resettlement. Still, the use of a revolving loan fund could play a role in establishing new hybrid forms of resettlement that draw on business and community resources and needs. Canada’s use of these private resettlement routes over the past 40 years is one reason for recommending it as the destination country for the pilot initiative.

Why Jordan and Lebanon?

In parallel with identifying Canada as the destination country most likely to foster the successful rollout of a pilot loan fund, Jordan and Lebanon were also identified as the best places to set up recruitment and disbursement of the fund.

This is partly pragmatic: Talent Beyond Boundaries is already working in Jordan and Lebanon on the “information and documentation gap”, building a pilot project that aims to overcome the barriers that refugees face in accessing the international labor market and to place qualified refugees (the majority Syrian) with employers in third countries. As discussed in Parts A and B of the paper, it will be important to build a financial system alongside this information infrastructure.

⁴⁶ Global Resettlement Sponsorship Initiative, *Press Release*, 13 December 2016.

⁴⁷ Hudes, S., ‘Ottawa’s New Cap on Refugee Applications Upsets Sponsors’, *Toronto Star*, 24 December 2016, <https://www.thestar.com/news/canada/2016/12/24/ottawas-new-cap-on-refugee-applications-upsets-sponsors.html>

Additionally, Jordan and Lebanon are host to a number of well-educated Syrian, Iraqi and Palestinian refugees (in comparison to other refugee populations in e.g. sub-Saharan Africa or south-east Asia). This should also help to ensure the viability of the project in its early pilot stage.

If the pilot project proves successful, the loan fund could expand to other regions. Other countries of origin/asylum which have been identified as potential bases from which to develop complementary pathways include Uganda, South Africa, Egypt and Columbia. On the one hand, such countries are likely to require more careful selection of refugees able to meet existing skilled labor migration requirements. On the other, a greater number of refugees in these settings may speak English, French or Spanish, making it easier for them to meet language requirements.

Loan Design

The first question to be answered in designing a model revolving loan fund is this: **what type of loans should be issued?** This concept paper recommends that the pilot project offer two types of loan: pre-application loans, and larger migration loans.

The costs involved in migrating are clearly variable. Many refugees may incur costs simply in applying to migrate as a worker or student – there may be costs involved in securing transcripts, online access, application fees for courses, and some medical or language tests. These costs often precede contact with an employer, so that even if an employer covers all costs incurred after a job offer is made, and even reimburses earlier fees, there are still initial costs that a refugee must fund. While these costs are often relatively low, they can be prohibitive for refugees.

Canadian Immigration

Canada uses **Express Entry** to process applications for permanent residency under various labor migration routes: the Federal Skilled Workers' Programme (FSWP), the Federal Skilled Trades Programme (FSTP), the Canadian Experience Class, and the Provincial Nomination Programme (PNP). Candidates interested in migrating to Canada must first create an Express Entry profile, detailing their age, skills and education, work experience and language ability. Although creating the profile itself is free, all candidates must take a language test (IELTS, CELPIP or TEF) to complete their profile, costing approximately \$200 USD in Jordan and Lebanon (assuming no need for additional tutoring or preparation classes). Candidates are not required but are recommended to include an Education Credential Assessment (ECA) at a further cost of \$150 USD. When including translation fees, the ECA costs rise to around \$300.

This paper recommends that the revolving loan fund offer pre-visa loans to cover the costs of applying to migrate through labor or study pathways. In the case of the pilot project, this means covering the costs of creating an Express Entry Profile. The minimum cost to the

refugee is likely to be \$350 USD. If additional assistance is required to complete these steps process (e.g. language tutoring) the cost might rise to a maximum of \$1500.

If the profile is accepted, candidates for migration will be placed in the Express Entry Pool, and required to register with the Canadian Job Bank within 30 days if they do not already have a job offer. The Canadian government then ranks candidates' applications, awarding points in each category, and issues regular invitations to apply for permanent resident to all those migrants who score above a certain cut-off level. These applicants then have 90 days to apply for permanent residency, a process which has additional costs associated (e.g. medical exams, police certificates, etc.).⁴⁸

Highly skilled migrants can arrive in Canada without a job offer. In 2015, 40% of invitations to apply for permanent residency were made to candidates without a job offer or a Provincial Nomination (PNP).⁴⁹ This percentage is likely to increase as a result of changes made to the points schema in November 2016 that reduce the number of points allocated for a job offer or PNP.⁵⁰

For those who move without a job offer in place, or migrants with a job offer but whose employers do not cover ongoing migration costs, countries of origin and/or asylum may charge different fees to acquire the necessary passports or exit visas. Destination countries may charge different visa processing fees to different categories of migrant (e.g. student or worker), or have more or less opaque immigration systems requiring more or less legal assistance to navigate. Distance between origin and destination impacts the cost of travel and different destinations may have higher or lower costs of living (rent, transport, etc.).

This paper recommends that the revolving loan fund offer larger migration loans to refugees whose employers are unable to cover the full cost of their migration.

Costs for Loan to Cover⁵¹

Determining the exact costs of each refugee-migrant's journey is not essential for the design of a pilot program. However, it is useful to understand the likely *range* of costs to be incurred.

⁴⁸ For more details see 'How Express Entry Works', *Government of Canada Immigration and Citizenship*, <http://www.cic.gc.ca/english/express-entry/>

⁴⁹ Express Entry Year End Report, 2015, *Government of Canada Immigration and Citizenship* <http://www.cic.gc.ca/english/resources/reports/ee-year-end-2015.asp>

⁵⁰ 'Notice to Express Entry Candidates', *Government of Canada Immigration and Citizenship* <http://www.cic.gc.ca/english/department/media/notices/2016-11-19.asp>

⁵¹ This section of the report draws on work carried out for TBB by students at Columbia University's School of Public and International Affairs; Agrawal, S., Fertig, K., Khaddoura, S., Messias, I., and Nelson, K., 'Refugee Loan Fund: Resources and Recommendations', *SIPA Columbia*, December 2016 (unpublished).

To this end, the model developed in Part C is based upon the costs likely to be encountered by a Syrian refugee moving to Canada as a labor migrant, using an average figure of \$5000 (see Tables below).

Costs associated with migration can be divided into two categories: visa costs (including document fees, medical and language exams) and travel or basic start-up costs (airfare, rent etc.) Visa costs may have to be paid several months before being able to move. Travel costs are most likely to be incurred once a visa has been granted.

Canadian Visa Application Costs: Permanent and Temporary Residents⁵²

Permanent Resident				
	Single Applicant	Best Case	Family of 5	Best Case
Right of Permanent Resident Fee	\$368		\$1,275	
Travel Document Fee	\$50		\$50	
Biometrics	\$64		\$128	
Language Test	\$200		\$200	
Police Certificate (estimated)	\$0		\$0	
Educational Assessment	\$142		\$142	
Medical Exam	\$229		\$1,180	
Translation Fees	\$50		\$50	
SUBTOTAL PERMANENT RESIDENTS	\$1,102		\$3,025	

Temporary Resident				
	Single Applicant	Best Case	Family of 5	Best Case
Work Permit Cost	\$116	\$116	\$116	\$116
Temporary Resident Permit (Spouse)	N/A	N/A	\$150	\$150
Study Permit Cost (children)	N/A	N/A	\$338	\$0
Biometrics	\$64	\$64	\$128	\$128
Medical Exam	\$229	\$0	\$229	\$0
Police Certificate	\$0	\$0	\$0	\$0
Skills Assessment	\$720	\$720	\$720	\$720
Language Test	\$200	\$0	\$200	\$0
Translation Fees	\$50	\$50	\$50	\$50
SUBTOTAL TEMPORARY RESIDENTS	\$1,379	\$950	\$1,930	\$1,164

Note 1: Spouse can apply for work or temporary resident permit, must be done simultaneously

Note 2: Children may need study permit, although typically not the case for under 20 years old. If needed, then also need letter of acceptance from school *Note 3: Will be denied for work permit if Canadian immigration officer deems that they will not be able to perform their job properly due to weak language skills*

⁵² Canada has a number of different immigration streams open to labor migrants. See above and <http://www.cic.gc.ca/english/> for further details.

Application Cost Range for Single Individual	Application Cost Range for Family of 5 (3 children)
Permanent Resident: \$1,102	Permanent Residents: \$3,025
Temporary Resident: \$950-\$1,379	Temporary Residents: \$1,164-\$1,930

Travel/Start-up Costs for Individual Migration, Jordan to Canada:

LOCAL TRANSPORTATION FOR REFUGEES					
Transport to and from local visa offices	142	2	\$0.70	\$198.80	
SUBTOTAL:					\$198.80
MIGRATION COSTS - INDIVIDUAL	units/distance	units	unit cost	sub-item total	
Canada					
Flight to Canada from Amman	1	1	\$680.00	\$680.00	
Flight to Canada from Amman (best case)	1	1	\$477.00	\$477.00	
Transport to Airport in Amman	100	1	\$0.70	\$70.00	
Pickup from Airport in Toronto	25	1	\$1.40	\$35.00	
Day-to-day expenses for 2 months	1	2	\$750.00	\$1,500.00	
Rent for 2 months	1	2	\$1,259	\$2,518	
Rent for 2 months (best case)	1	2	\$703	\$1,406	
SUBTOTAL:					\$4,803.00
SUBTOTAL (BEST CASE)					\$3,488.00

Note 1: Rental costs were assessed from various cities around Canada, for both a one-bedroom and two-bedroom apartments.

Note 2: Day-to-day costs determined by the government of Canada.

Note 3: Cost of drop off and pickup from airport using the distance of refugee camp to the airport, and the assumption of new address in Canada being approximately 25 km away, using local taxi fares

Travel/Start-up Costs for Individual Migration, Lebanon to Canada:

LOCAL TRANSPORTATION FOR REFUGEES	km	no. of trips	cost per km	total cost	
Transport to and from local visa offices	16	2	\$1.81	\$58.00	
SUBTOTAL:					\$58.00

MIGRATION COSTS - INDIVIDUAL	units/distance	units	unit cost	sub-item total	
Flight to Canada from Beirut	1	1	\$800.00	\$800.00	
Flight to Canada from Beirut (best case)	1	1	\$510.00	\$510.00	
Transport to Airport in Beirut	7	1	\$2.29	\$16.00	
Pickup from Airport in Toronto	25	1	\$1.40	\$35.00	
Day-to-day expenses for 2 months	1	2	\$750.00	\$1,500.00	
Rent for 2 months	1	2	\$1,259	\$2,518	
Rent for 2 months (best case)	1	2	\$703	\$1,406	
SUBTOTAL:					\$4,869.00
SUBTOTAL (BEST CASE)					\$3,467.00

Note 1: Refugee camp is 16 km away from the embassies, which is calculated to be \$58 in taxi fare

Note 2: Refugee camp is 7 km away from airport

These tables suggest that for planning purposes, it is reasonable to assume an average loan of \$5000 will be needed to cover most visa and travel/start-up costs.

Application

There are a number of further factors to consider in designing an application system for a revolving loan fund.

Who should apply for the loan? Before refugees have been offered a job or a place of study, refugees will necessarily need to apply themselves for loans to cover the cost of applying for a visa.

However, once a refugee has been matched with an employer, the employer should (as per the “employer pays principle”) cover as much of the costs of migration as is reasonable and feasible.

Nevertheless, employers may not be able or willing to cover the costs of moving family as well as the employee; or the employer may not have the financial capability to pay the costs of overseas recruitment; or the employer may be willing to employ a refugee on arrival but not to pay the costs of migration. This is especially likely to be the case with small and medium businesses.

In these cases, the model loan fund should accept applications from refugees *in conjunction with their prospective employer*. Targeted marketing should help to publicize to small and medium businesses in appropriate sectors (e.g. construction, IT) that money is available to assist with the costs of bringing a refugee-employee to e.g. Canada, particularly for those with no history of overseas recruitment. Prospective employers would provide brief information to support a loan application.

Ideally, employers would then absorb the cost of loan repayments, if necessary factoring this into the compensation package offered to their prospective migrant employee. To mitigate concerns over the financial risk involved, payments back to the loan fund could be contingent on the refugee working for the company for a set period (e.g. 12 months): the debt would be waived should employment be terminated for cause, or the employee resign or be unable to work.

Alternatively, refugees could choose or be asked to assume the loan themselves. However, involving the employer in the loan application process – even if only as a supporter – is still likely to prove positive, in terms of ensuring wider support for a refugee as they migrate and mitigating the risk of missed payments or poor budgeting.

What steps should be involved in applying for a loan? One of the key advantages of a revolving loan fund is scalability. Capital can be leveraged to help more refugees than would be the case under a grant system. This means that from the outset, an application process should be devised that is as streamlined as possible and takes advantage of opportunities to use technology/online portal to minimize the need for physical offices in multiple locations.

A first step would be to establish an online preliminary application form that ensures basic requirements are met.

For smaller pre-visa loans, identity would be established (to prevent duplicate loans), the intention/purpose of the loan detailed and English proficiency/skills qualifications/education listed as a basic check. For the pilot project, an interview – either online or in person – could help to establish that basic criteria for creating an online Express Entry Profile are met. Money could then be distributed in person.

For larger post-visa loans, additional steps could include confirming that a job offer or invitation to apply for permanent residency has been received; listing the employer's name and contact details; uploading a reference/supporting letter from the employer; listing a sample loan budget; and viewing a repayment plan. An in-person interview would follow with employee and employer before a repayment plan is agreed and the loan disbursed. For those moving through the Canadian Express Entry Programme without a job offer, loans would be disbursed directly to the refugee.

Should refugees receive financial counseling upon application? One of the weaknesses of the existing Canadian refugee resettlement loan scheme, identified in the 2016 evaluation of the program, is that financial education was extremely limited. The majority of refugees applying for loans will not have ever taken on this level of debt, and may have vague understandings about the obligations incurred, and the penalties for non-repayment.⁵³

⁵³ *Evaluation of the Immigration Loan Program*, September 2015, Citizenship and Immigration Canada, http://www.cic.gc.ca/english/pdf/E6-ILP_Eng.pdf

Even refugees who have had experience with formal banking and credit systems (which may include a higher number of high-skilled refugees than the general refugee population, as more are likely to have previously held salaried positions) are likely to have no effective credit record in their country of asylum, where refugee status is often in itself a barrier to opening a bank account.

The revolving loan fund will need to issue loans without considering credit history. This is another reason why involving employers as a proxy is advantageous. It is also why a condition of the loan being issued should be completion of a brief financial education course by the refugee. This could be done via an online portal, or an in-person seminar/meeting which ensures all those receiving loans are aware of their obligations, and the long-term advantages of building up a good credit history.

Disbursal

To disburse the pre-visa loan funds to refugees, and/or the post-visa loans, there are a few options: 1) partnering with microfinance institutions, who will disburse the cash; 2) direct cash transfer to refugees through cards or bank accounts; 3) direct payment by employers.

Although there is little data available on how many of TBB's refugee clients in Jordan and Lebanon currently have access to banking accounts, an assumption can be made that many of them likely do not. Humanitarian agencies have found several ways around this. UNHCR provides cash transfers to refugees so that they can purchase their own food and other items, rather than having to rely on handouts. ATM cards are currently the preferred mechanism for transferring money; UNHCR has also been piloting the use of biometric identification systems to go with these cards and it has proved beneficial. Using ATM cards to disburse funds to refugees for small grants could be a feasible option.⁵⁴

Repayment

If a revolving loan fund is to prove a useful tool in expanding access to migration pathways for refugees, repayment rates must be high enough to ensure the fund's sustainability.

Loans vs. Grants

In researching this paper, several of those interviewed suggested that rather than issuing loans, a similar program should be established offering refugees grants in order to enter migration streams. At first glance, this is an attractive proposition:

- Refugees would not be liable for the costs of migrating if they receive a grant to do so.

⁵⁴ see UNHCR, *Delivery Mechanisms: Cash-based Interventions* <https://emergency.unhcr.org/entry/51216/delivery-mechanisms-cash-based-interventions>

- The administrative costs of running a fund might be reduced, as there would be no need to establish repayment mechanisms.
- If high-skilled migration remains small-scale, the total allocated as migration grants would be small.

However, there are several serious drawbacks to this approach, both philosophical and pragmatic.

- Offering refugees grants to become labor migrants could undermine the “employer pays” principle.
- There would also be an asymmetry between resettled refugees (US/Canadian loan system), non-refugee labor migrants (employer/self-funded) and refugee-migrants (offered a grant).
- More pragmatically, a loan fund will not exhaust capital funds as quickly as a grant-making body, and will therefore be able to assist much greater numbers of refugees over a 5 or 10-year period (see Table 1).
- A loan fund could use guarantees from donors to access commercial capital/private investment, rather than requiring upfront donor investment

A loan system is therefore preferable to a grant fund.

However, unlike commercial loan funds, financial sustainability/return should not be the only measure by which the refugee revolving fund is judged. The fund also has a *humanitarian* purpose: to move as many refugees out of protracted refugee situations to places of safety and opportunity. It is likely that the fund will be drawn down over time, and new injections of financial capital required in order to continue operating. This should not be seen as failure of the model, but rather a “hybrid humanitarianism” in which capital is leveraged through a revolving fund to allow more refugees to move.

Repayment Rates

This study recommends that two types of loan be issued: smaller pre-visa loans, which may then be converted to larger post-visa loans. This raises an immediate question:

Should repayment of the small loans be contingent on a successful application to migrate to a third country? Some refugees who apply to immigrate for work or study will not be successful in doing so. Screening loan applications should help to ensure that refugees meet the broad criteria to move through existing migration channels, but nevertheless some of those who apply to move through the pilot project will not be successful in being invited to apply for Express Entry. Requiring refugees to repay a loan even if they are unsuccessful risks adding a debt burden to those who may have very limited means to pay (as they are still in the country of asylum). A higher default rate should be expected for these loans. However, as these initial loans are also smaller (ranging from \$350 - \$1500 in the pilot project), the impact on the fund should be relatively limited.

For the larger migration loans, money will only be dispersed once a migration pathway is secured. It is nevertheless important to consider:

What rate of repayment can be expected for larger migration loans? The model outlined in this paper assumes repayment (of larger migration loans) will occur at 80%. This reflects the rates of repayment for US and Canadian refugee resettlement loans (78% and 79% respectively), and the expectation that refugees moving as labor migrants should be well-positioned to make repayments, as they will be taking up employment upon their arrival in the destination country. It should be noted that the repayment rate for Kiva (the leading microfinance crowd platform) is currently 97.1%. This is partly attributed to Kiva's close work with microfinance partners in the field to ensure repayment, but is indicative of the potential for an 80% repayment rate to be met in this case. The majority of refugees are also likely to feel a moral obligation to repay and "keep the pipeline open." Involving employers – either as supporters of the refugees' application or as the recipient themselves – is also likely to improve repayment rates.

Should loan recipients be offered a grace period before repayments begin? It should be noted that there may be several months of delay between first applying for a visa (even with a job offer) and actually migrating, during which a migration loan will be needed to cover costs. Repayment cannot realistically start until the refugee has moved and taken up new employment.

Refugees arriving in a new country will then face start-up costs and need some time to establish themselves financially (e.g. set up bank accounts). As the Canadian evaluation of its refugee resettlement loan program made clear in 2016, expecting refugees to start repaying their migration loan immediately upon arrival (as the Canadian system does) is problematic.⁵⁵

Offering refugees who are managing their loan directly a 3-month grace period before beginning to collect repayments should help refugees to avoid becoming indebted before they are able to set-up their new lives. For cases where the loan is made to an employer, a similar grace period should be offered to help support a positive "settling in" period for the employee.

How should repayments be collected? Migration loans for refugees present a challenge to classic microfinance repayment models, which tend to rely upon building up strong in-situ relationships with microfinance clients and local communities in order to facilitate repayment and prevent defaults. But refugees are 1) by definition **not** locals in their current place of residency, so will often have no verifiable credit history⁵⁶ and 2) are in this case applying for a loan **in order to move away**. This presents an additional complication, as loans will need to be

⁵⁵ *Evaluation of the Immigration Loan Program*, September 2015, Citizenship and Immigration Canada, http://www.cic.gc.ca/english/pdf/E6-ILP_Eng.pdf

⁵⁶ This is less true in the case of refugees in protracted crises, although in general access to microfinance remains very limited in refugee settlements (.

dispersed in one country, and repayments collected in another. This means that where the loan fund does not have an operational presence, it will need to partner with other NGOs/MFP to distribute loans and/or collect repayments.

The model described below assumes monthly repayments. If loans are distributed via employers, an agreement to collect repayments can be established with the business in the destination country. This should be easier to arrange, as the employer will already have banking facilities in place. In cases where refugees are directly responsible for repayment, the loan fund will need to arrange collection, ideally through automated payments.

Initially, this study believed that direct salary deduction would offer the simplest route to ensure prompt repayment of the loan. This may be the case in some destination states. However, research conducted in support of this scoping study indicates the Canadian legal system requires a court order for each repayment plan, and several other countries have similar safeguards aimed at protecting consumers from unscrupulous loan companies. It is therefore likely to prove easier to set up separate direct debit agreements with the refugee-migrant upon their arrival in the country of destination.⁵⁷

Could crowdsourcing help to mitigate repayment risks? Conversations with Kiva in October 2016 indicated that while demand from Kiva lenders for refugee-related loans was very high (i.e. opportunities to lend money), there was relatively little supply of refugee loans (MFIs lending to refugees). Partnering with Kiva – or another crowdsourcing microfinance platform – would mitigate the risk to the fund and accelerate repayment cycles. The loan fund would first disperse money to migrant-refugees, and then the individual migrant-refugees’ stories would be posted online, with the money to repay the loan crowdsourced (in small e.g. \$25 increments). Refugees would continue to make repayments to the fund in order that Kiva’s lenders would be eventually repaid, but the cost of default would fall on Kiva’s individual lenders, and not the loan fund.

This approach has several advantages. First, it protects the revolving fund from excessive levels of default. Second, it allows the loan fund to be replenished more quickly, allowing more predictable and shorter lending cycles. Third, there is reason to believe that Kiva’s lenders – individuals who see their lending through Kiva as motivated by charitable impulse as well as development principles – would welcome the opportunity to support refugees, both as a philanthropic and political action. This could also help to raise the profile of “complementary pathways” as a means of assisting refugees to move other than through traditional resettlement channels

Should interest be charged on the loans? The loan fund under consideration would be a non-profit venture. Nevertheless, charging interest on loans would guard against a low repayment

⁵⁷ Agrawal, S. et al., ‘Refugee Loan Fund: Resources and Recommendations’, *SIPA Columbia*, December 2016 (unpublished).

rate (as loans which are repaid will be paid back at more than 100% of the cost); protect against inflation; and help meet administrative costs (see below). In ethical terms, however, charging refugees interest on loans to help them migrate is likely to prove controversial, and might be difficult for refugees with relatively limited financial experience to navigate.

These considerations are minimized if loans are delivered directly to and repaid by employers: but one of the attractions of the revolving loan fund for businesses is that it could offer an alternative low-interest line of credit for employer recruitment.

Instead of interest rates, this report recommends that the loan fund roll an **administration fee** – in the model, 10% – into the cost of the loan, to be repaid by the refugee. For businesses, this can be paid in lieu of a standard recruitment fee. This is partly to ensure that recipients clearly understand their total liability: however, it also has the benefit of conforming to Islamic finance principles (i.e. no-interest charged), which some observers note may be especially helpful in a Middle Eastern context.

Administration

There are non-trivial start-up and ongoing administrative costs associated with the operation of a revolving loan fund. Even if a considerable amount of the early application stages can be automated through an online portal, the website will need to be designed and maintained; later application stages will depend upon in-person interviews and vetting of materials submitted. Dispersal and repayment will require liaison with MFPs (potentially in both the country of origin and country of destination) that will turn have their own administrative overheads; there will also be banking costs associated with transferring money between countries. For the pilot program, the model assumes that administration costs will run at 10% of the total loan fund, to match the administration fee. It is likely that further start-up costs of \$300-500K will be required to ensure all one-time training, monitoring and design tasks can be successfully completed.

Raising a Fund

Before the revolving fund can work at all, money must be raised for the fund. There are a number of different options available for doing so.

1. Donors could contribute directly to the fund and this money be used to issue loans
2. Donors could underwrite (guarantee) money borrowed from private capital (banks) at preferential interest rates for 5-7 years. Donors also would agree to “top up” the fund back to original levels at the end of the loan period, and to pay the interest accrued, but the majority of capital used would be raised on the private market.

Given the relatively high-risk nature of the pilot program and the uncertainty relating to repayment, money should be raised directly from donors for the pilot project. Future expansions, however, should consider using private capital backed by donor guarantees.

It is also important to consider how much money should be raised. The first example below shows that a pilot program for 100 refugees could be established with \$500,000, providing useful data on demand, use, challenges and opportunities to allow an iterative refinement of the revolving loan program before expansion. The second example assumes a \$6 million initial investment.

If the fund were to prove successful on a smaller scale with refugees, it is possible to imagine in the operation of a much larger global mobility fund assisting a much wider cohort of poor migrants through low-interest mobility loans.

*An example fund*⁵⁸

The tables below show how a revolving loan fund could operate, both a pilot project with an initial \$500,000 investment, and a larger program aiming to help 1500 refugees over the first five years.

Loan Amount: The model assumes an average loan size of \$5000

Interest rate/Administration fee: The model charges 0% interest and a 10% administration fee.

Grace Period: The model is set so that payments begin 6 months after the loan is dispersed, to account both for the delay between receiving the loan and receiving a visa, and an initial grace period on arrival in the country of destination.

Repayment rate: The model assumes an 80% repayment rate

Income level: The model assumes a median income among recipients of USD \$26,000 in Canada (a minimum level for those arriving as labor migrants). The model assumes that refugees will only have to make repayments on income over USD \$15,000, and will do so as 5%, 7.5% or 10% of their monthly income.

Model 1 – A Pilot Program with \$500,000 initial investment

This pilot project assumes that loans will be made to 100 refugees over 3 years, with 25 loans issued in the first year, 35 in the second year, and 40 in the third year. It does not consider the small pre-application loans (under \$100), which should be capped at 2% of total loans issued and treated separately, i.e. assuming a further \$10,000 funding over 3 years.

	1	2	3	4	5	6
Number of loans	25	35	40			
Loan + Admin fee	5,500	5,500	5,500			
Total funding/year	137,500	192,500	220,000			
Repayment + interest/worker yr	13,000	26,780	55,167	15,103		

⁵⁸ Thanks to Bruce Usher, *Professor of Professional Practice at the Tamer Center for Social Enterprise*, Columbia Business School, and his students, in particular Menna Shoukry, for assisting with financial modeling.

1						
Repayment + interest/worker yr 2		18,200	37,492	77,234	21,074	
Repayment + interest/worker yr 3			20,400	42,848	88,267	24,085
Total Repayment Per Year	13,000	44,980	113,459	135,135	109,341	24,085
Total Funding Remaining (Initial Investment \$500000)	375,500	227,980	121,439	256,574	365,915	390,000

	1	2	3	4	5	6	7	8
Number of loans	100	200	300	400	500			
Loan + Admin fee	5,500	5,500	5,500	5,500	5,500			
Total funding/year	550,000	1,100,000	1,650,000	2,200,000	2,750,000			

Model 2 – A \$6 million investment and 1500 refugees.

This model starts by assuming there will be demand/capacity to offer 100 loans in year 1, 200 loans in year 2 and scale up to 500 loans by year 5. As the table below demonstrates, a minimum investment of \$6 million would be needed to make loans to 1500 refugees under these conditions. By year 8, \$4.2 million would be returned, equating to an effective cost per refugee-migrant of \$1200 (for a \$5000 loan).

Repayment + interest/worker yr 1	52,000	107,120	220,667	60,213				
Repayment + interest/worker yr 2		104,000	214,240	441,334	120,426			
Repayment + interest/worker yr 3			156,000	321,360	662,002	180,638		
Repayment + interest/worker yr 4				208,000	428,480	882,669	240,851	
Repayment + interest/worker yr 5					260,000	535,600	1,103,336	301,064
Repayment+ interest/worker yr								
Total Repayment Per Year	52,000	211,120	591,087	1,030,907	1,470,908	1418269	1,344,187	301,064
Total Funding Remaining (Initial Investment \$6,000,000)	5,502,000	4,613,120	3,554,207	2,385,114	1,106022	2,530,313	3,874,500	4,175,564

Conclusions and Recommendations

This scoping study set out to consider whether a revolving loan fund could help to improve refugees' access to non-humanitarian migration pathways. The following conclusions were reached:

Need and Impact

- There are existing labor and study migration routes that are currently financially inaccessible to some qualified refugees
- Alongside financial barriers, a significant information and documentation gap prevents many refugees from accessing these existing migration pathways.
- A revolving loan fund could play a valuable part in assisting refugees to access these complementary migration pathways, but should be developed in parallel with information and employment-matching services rather than as a stand-alone product.
- Complementary migration pathways are unlikely to offer a broad "solution" to any refugee crisis. Yet while the number of refugees qualifying to move through these existing labor migration routes is likely to be a relatively small proportion of the total global population, ensuring equality of access to these opportunities is an important principle and success should be measured in terms of both this accessibility and the impact of migration on individual refugees' lives.

Design and Scope

- The logic underpinning the revolving fund is not specific to refugee crises: many would-be migrants suffering "involuntary immobility" might benefit from such a scheme in the long-term. However, refugees suffer particular urgency and difficulty accessing other forms of financial credit.
- Any loan fund must be designed with care to minimize financial burden and maximize efficacy and repayment.
- It is particularly important that any revolving loan fund not undermine the "Employer Pays Principle", and work to expand the potential pool of employers able to recruit refugees, rather than pass costs on to refugees
- There may be considerable scope for using revolving funds to assist lower-skilled refugees and forced migrants looking to move temporarily (e.g. as seasonal agricultural workers). However, any pilot should focus on demonstrating proof-of-concept through permanent migration of high-skilled workers
- A pilot project to assist refugees from Jordan and Lebanon to move to Canada as labor migrants offers a good opportunity to demonstrate successful use of a loan fund, build partnerships and refine the design of the product alongside existing work that is seeking to build information channels and employment-matching between these two locations.
- If the pilot proves successful, there are opportunities for future expansion both to alternative destinations and drawing on different refugee groups' skills. Online portals should be developed at an early stage to facilitate future scalability of the application process

- Loan repayment should always be contingent upon successfully obtaining a visa to migrate. This places considerable importance on the ability of a loan fund to pre-screen applicants, and reinforces the benefits of working alongside organizations like TBB who are already seeking to bridge the information and documentation gap, and build up profiles of prospective refugee applicants.
- For the pilot, money should be sourced directly from donors. If the pilot shows successful outcomes, serious consideration should be given to using donor guarantees/underwriting to raise the funds from commercial lenders at preferential interest rates. Similarly, a loan fund should explore the possibility of partnering with Kiva or another crowd-funding microfinance lender as a means of mitigating risk and increasing public awareness of skilled refugees' profiles.

A revolving loan fund that makes existing migration programs financially accessible to refugees is no panacea for global displacement. There is also limited data against which to measure expected outcomes from such a fund. However, this brief scoping study certainly indicates that such a fund could play a critical role in enabling a subset of refugees to access labor or study migration opportunities. A loan fund could be significant both in practice and principle. Its focus on removing barriers to existing migration channels rather than trying to expand existing opportunities also makes it politically feasible. For all these reasons, a revolving loan fund for refugees is an idea worthy of further development and exploration.

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